
FISCAL UPDATE Article

Fiscal Services Division

September 14, 2017



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UNDERGROUND STORAGE TANK BOARD, LOSS PORTFOLIO TRANSFER

Loss Portfolio Transfer Contract. At the September 6, 2017, meeting of the [Iowa Comprehensive Petroleum Underground Storage Tank \(UST\) Fund Board](#), the Board voted to enter into contract negotiations with the Petroleum Marketers Management Insurance Company (PMMIC). The potential contract would provide for a [Loss Portfolio Transfer](#) (LPT) of the estimated existing remaining expenditure liability for up to 199 identified UST remediation claims currently managed by the UST Board. The contract would pay PMMIC approximately \$13.6 million from UST Board funds as compensation for the transfer of liability on the included UST sites.

The potential to contract with PMMIC was accomplished through a request for proposal (RFP) process. The RFP process closed in July 2017 with PMMIC submitting the only bid. The \$13.6 million bid represents a \$3.3 million premium (31.7%) over the \$10.3 million the Board carries as its existing liabilities (estimated remaining expenditures) for the contaminated sites included in the RFP. In addition to the \$10.3 million in site-specific liabilities, the Board would also incur administrative expenses for the sites included in the RFP if those sites remained the responsibility of the Board. The bid submitted by PMMIC is broken down into the following items:

- Existing Board Liabilities: \$10.32 million
- Risk Premium: \$2.06 million
- Administrative Fee: \$0.96 million
- Additional Insurance: \$0.25 million

The negotiated contract is subject to final approval by the Board at a future meeting. If a final contract is entered into by the Board and PMMIC, approximately 140 contaminated UST sites will remain as liabilities of the UST Board.

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